

AMENDED IN SENATE MARCH 30, 2006

SENATE BILL

No. 1506

Introduced by Senator Margett

February 23, 2006

An act to add and repeal Section 11456 of the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

SB 1506, as amended, Margett. Department of Water Resources: *State Water Project*: energy contracts.

Under existing law, the Department of Water Resources operates the State Water Project and exercises various other functions relating to the state's water resources.

Existing law relating to the purchase and sale of electric power by the department *for purposes not related to the State Water Project* authorized the department to enter into contracts for the purchase of electricity, until January 1, 2003, and to sell that electricity to retail end-use customers and, with specified exceptions, to local publicly owned electric utilities at not more than the department's acquisition costs, and authorizes the department to continue to administer contracts entered into before that date. Existing law provides that, unless the department determines that the application of specified existing state contracting law, including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements, is detrimental to accomplishing the purposes of those provisions, those specified state contracting laws apply to contracts entered into under those provisions.

This bill, *for purposes of the State Water Project*, would exempt from specified existing law regulating the state acquisition of goods

and services, certain contracts and agreements relating to the purchase and sale of electric power or natural gas entered into by the department for ~~the those purposes of the State Water Project~~. The bill would exempt those contracts from specified existing state contracting law, ~~including, but not limited to, advertising and competitive bidding requirements and prompt payment requirements~~, if the department determines that the application of those specified state contracting laws is detrimental to ~~accomplishing~~ the purposes of the State Water Project. Those provisions would be repealed as of January 1, 2012.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 11456 is added to the Water Code, to
2 read:

3 11456. (a) All contracts and agreements entered into
4 pursuant to Section 11454 for the purchase, sale, exchange,
5 transmission, or interconnection of, or for trading, hedging,
6 financial puts and calls, financial swaps, options, brokerage, or
7 information subscriptions related to, electric power or natural gas
8 shall be exempt from Chapter 2 (commencing with Section
9 10290) of Part 2 of Division 2 of the Public Contract Code, and
10 any rule or regulation adopted pursuant to that chapter.

11 (b) If the department determines that the application to a
12 contract or agreement described in subdivision (a) of ~~a any other~~
13 provision of the Public Contract Code or the Government Code
14 applicable to state contracts, ~~including, but not limited to,~~
15 ~~advertising and competitive bidding requirements, and prompt~~
16 ~~payment requirements, is detrimental to accomplishing the~~
17 ~~purposes of this part to state contracts is detrimental to the~~
18 *purposes of the State Water Resources Development System, as*
19 *described in Section 12931*, that provision shall not apply to that
20 contract or agreement. *The department shall set forth in writing*
21 *the reasons underlying such a determination.*

22 (c) This section shall remain in effect only until January 1,
23 2012, and as of that date is repealed, unless a later enacted

1 statute, that is enacted before January 1, 2012, deletes or extends
2 that date.

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